

Blacksteel Energy Inc. announces letter of intent to acquire Drakkar Energy Ltd.

September 19, 2022 3:51 PM Newsfile

Calgary, Alberta – Blacksteel Energy Inc. (“**Blacksteel**” or the “**Corporation**“) is pleased to announce that it has signed a letter of intent (the “**Proposed Transaction**“) to acquire Drakkar Energy Ltd. (“**Drakkar Energy**“).

Drakkar Energy is a privately held oil and gas producer in Alberta whose sole producing asset is a 70% working interest in the jointly held Girouxville asset with Blacksteel. Total consideration is approximately \$3.2 million consisting of a combination of shares, cash and assumption of debt.

Jeff Callaway, Blacksteel’s CEO, commented, “The acquisition of Drakkar is a significant milestone for Blacksteel which consolidates ownership to 100% of the Girouxville Montney light oil producing asset. With over 30 locations identified and 12-month paybacks on prospective new wells, Blacksteel will be able to more efficiently operate and grow the production base leading to increased cash flow. Wells on the asset base are top decile production performers in the region. The terms of the transaction are very accretive to Blacksteel shareholders with 2P NPV 10% before tax reserves estimated independently by the reserves auditor at \$26 million. The work program is expected to add additional locations to Blacksteel’s reserve estimates as only 7 wells are currently booked in reserves.”

“As Blacksteel progresses towards closing the second tranche of its financings, we look forward to implementing a work program to grow production followed by a listing on a Canadian stock exchange. Furthermore, this asset base will support our international growth plans which are designed to provide the next leg of growth for the company.”

Keith Macdonald, President of Drakkar stated, “The acquisition by Blacksteel provides several benefits to Drakkar stakeholders. The combined entity will be able to operate more efficiently and the work program implemented by Blacksteel will grow production and cash flow to levels that Drakkar could not fund on its own. Our agreement includes a clause to go public so shareholders will have liquidity while introducing the combined company to new investors. Thirdly, the international growth plans of Blacksteel provide a significant next level of growth that Drakkar investors will benefit from. I have been impressed by the execution of the business plan by the team at Blacksteel and believe Drakkar shareholders will be in good hands based on the quality production and upside potential at Girouxville.”

Proforma Highlights:

- 30 development locations but only 7 booked locations currently booked in reserves
- \$26 million 2P NPV 10 BT value of reserves
- 2.23 million barrels of oil equivalent of gross reserves

- 7,710 acres of land
- \$25.4 million in tax pools

Proposed Transaction Details:

The acquisition of all of the issued and outstanding securities of Drakkar for total consideration of approximately \$3.2 million is as follows:

- Approximately 2.3 million common shares in the capital of Blacksteel (the “**Common Shares**”) in exchange for 23 million common shares of Drakkar
- 7.056 million Common Shares in exchange for the outstanding convertible debentures of Drakkar
- 9.564 million Common Shares in exchange for outstanding preferred share of Drakkar
- Approximately \$251,000 in cash and 7.85 million Common Shares for certain outstanding payables
- Assumption of approximately \$313,000 of debt
- Up to a \$250,000 loan (the “**Loan**”) from Blacksteel to Drakkar, at an interest rate of 8%, to be used for general corporate purposes. The Loan is secured against certain marketable securities and a 25% working interest in the Girouxville asset
- Listing of the Common Shares on a recognized stock exchange on or before June 30, 2023

The Proposed Transaction is conditional on the completion of due diligence, legal review, tax advice and signing of a definitive agreement that is satisfactory to Blacksteel and Drakkar.

Completion of the Proposed Transaction is also subject to the following additional conditions, including but not limited to: (i) approval from Drakkar securityholders with respect to the Proposed Transaction; (ii) completion of one or more private placements for gross proceeds of not less than \$2,000,000 (collectively, the “**Offering**”). Proceeds from the Offering will be used for capital expenditures on the Girouxville asset, working capital and general corporate purposes; (iii) the approval, if necessary, by the shareholders of Blacksteel of the Proposed Transaction.

Blacksteel Energy Inc.

Blacksteel is a junior oil and gas company involved in the exploration, development and production of petroleum and natural gas resources.

Jeff Callaway

President and CEO

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Forward Looking Statements:

This news release contains “forward-looking statements” that are based on expectations, estimates, projections and interpretations as at the date of this news release. Forward-looking statements are frequently characterized by words such as “plan”, “expect”, “project”, “seek”, “intend”, “believe”, “anticipate”, “estimate”, “suggest”, “indicate” and other similar words or statements that certain events or conditions “may” or “will” occur, and include, without limitation, statements regarding: the terms and conditions of the Proposed Transaction; terms and conditions of the Proposed Offering; use of proceeds from the Offering; future development plans; and the business and operations of the resulting issuer after completion of the Proposed Transaction. Forward-looking statements relate to information that is based on assumptions of management, forecasts of future results, and estimates of amounts not yet determinable. Any statements that express predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance are not statements of historical fact and may be “forward-looking statements.” Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation: risks related to failure to obtain adequate financing on a timely basis and on acceptable terms; risks related to the outcome of legal proceedings; political and regulatory risks associated with oil and gas exploration; risks related to the listing and maintenance of stock exchange listings; risks related to environmental regulation and liability; the potential for delays in exploration or development activities or the completion of feasibility studies; the uncertainty of profitability; risks and uncertainties relating to the interpretation of drilling results; risks related to the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses; the possibility that future exploration and development results will not be consistent with the Corporation’s expectations; risks related to commodity price fluctuations; and other risks and uncertainties related to the Corporation’s prospects, properties and business detailed elsewhere in the Corporation’s disclosure record. Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are made as of the date hereof and the Corporation does not assume any obligation to update or revise them to reflect new events or circumstances except in accordance with applicable securities laws. Actual events or results could differ materially from the Corporation’s expectations or projections.